

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

L-03 H-02 PA-01 PRS-01 /094 W
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O R 261557Z JUL 76

FM AMEMBASSY PARIS

TO DEPARTMENT OF TREASURY IMMEDIATE

INFO SECSTATE WASHDC 3311

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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PASS FEDERAL RESERVE AND COMMERCE

E. O. 11652: N/A

TAGS: EFIN

SUBJECT: PARIS FOREX MARKET

1. FRENCH FRANC WEAKENED TODAY IN RELATIVELY QUIET
TRADING TO 4.95 AGAINST DOLLAR; 1.92 TO D/MARK;
1.97 TO SWISS FRANC. BANK OF FRANCE DID NOT INTERVENE
IN FOREX MARKET BUT DAY-TO-DAY MONEY MARKET RATE ROSE
TO 8 AND 7/8 UP FROM 8 AND 3/4 LAST FRIDAY.

2. FOREX TRADERS GENERALLY BELIEVE FRANC/DOLLAR RATE
WILL GO TO 5 TO 1. THIS BELIEF PARTLY REFLECTS ASSESS-
MENT OF MARKET TRENDS BUT ALSO FACT THAT FOREX TRADERS
EXPECT CLEAR SIGNAL BY BANK OF FRANCE INTERVENTION.
THEY ARE ACCUSTOMED TO THINKING OF A ZONE FOR THE
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FRANC AND TEND TO INTERPRET BANK OF FRANCE FOREX

MARKET INTERVENTION IN THIS WAY. ABSENCE OF SUCH INTERVENTION DURING MOST OF PAST TWO WEEKS HAS BECOME MAJOR QUESTION MARK IN THEIR MINDS. THEY CERTAINLY SEE THE CONNECTION BETWEEN FALLING FRANC RATE AND THE RISE IN DAY-TO-DAY MONEY MARKET RATES BY BANK OF FRANCE. THIS HAS OCCURRED THREE TIMES SINCE WEDNESDAY OF LAST WEEK BUT MOST STILL EXPECT OFFICIAL INTERVENTION AT SOME POINT. RELATIVELY LIGHT VOLUME CLEARLY SUGGESTS NO ONE WILLING TO BET VERY MUCH ONE WAY OR THE OTHER. THUS PARIS FOREX MARKET PROBABLY WILL FLUCTUATE IN MID-4.90'S WHILE MOVING CAUTIOUSLY TO TEST A 5 TO 1 FRANC/DOLLAR RATE. PROFIT TAKING EASILY COULD INDUCE APPRECIATION OF AT LEAST SEVERAL POINTS AT ANY TIME. IN SUCH EVENT FOREX MARKET WOULD BECOME MORE CAUTIOUS, PARTICULARLY IN TERMS OF A 5 TO 1 FRANC/DOLLAR RATE.
GAMMON

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Message Attributes

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Margaret P. Grafeld
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